

Message Text

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ORIGIN EUR-12

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TO AMEMBASSY BONN

INFO USMISSION USBERLIN

AMEMBASSY LONDON

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E.O. 11652: N/A

TAGS: PFOR, EAIR, WB, US, UK, FR, GW

SUBJECT: AEROAMERICA SAARBRUECKEN APPLICATION

REF: A.) BONN 10711 (NOTAL) B.)STATE 229176 C.) USBER 1292

1. SUMMARY: DEPARTMENT AGREES THAT CONSIDERATION OF AEROAMERICA APPLICATION TO FLY SCHEDULED SERVICE TO SAARBRUECKEN SHOULD BE DEFERRED UNTIL CAA'S HAVE HAD OPPORTUNITY TO EVALUATE FULLY AEROAMERICA'S PERFORMANCE DURING PEAK SUMMER CHARTER SEASON. WE DO NOT BELIEVE, HOWEVER, THAT ENTIRE MATTER SHOULD BE PUT OFF FOR AS LONG AS EMBASSY SUGGESTS. WE RECOMMEND USCAA TAKE PRELIMINARY STEPS TO PREPARE FOR POSSIBLE NOV 75 INAUGURAL DATE FOR SAARBRUECKEN SERVICE, PROVIDED AEROAMERICA WILL ACCEPT STRICTLY LIMITED ROLE IN IGS ACTIVITIES. END SUMMARY.

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2. FOR POLITICAL REASONS WE WOULD LIKE TO SEE THE SAARBRUECKEN ROUTE REINSTITUTED, AND IN PRINCIPLE WOULD HAVE NO OBJECTION TO IT BEING SERVED BY AEROAMERICA PROVIDED ALLIED CAAS ARE CONVINCED AIRLINE CAN PROVIDE ACCEPTABLE SERVICE AND WILL MEET ITS OBLIGATIONS AS SCHEDULED CARRIER. AEROAMERICA SHOULD ALSO UNDERSTAND THAT APPLICATION FOR SAARBRUECKEN WOULD NOT BE VIEWED BY USG AS PRECEDENT SETTING FIRST STEP UPON WHICH AIRLINE COULD EXPECT TO DEVELOP COMPETITION TO REMAINING SCHEDULED IGS SERVICES OR TO OTHER FRG DESTINATIONS ON CHARTER BASIS. DEPARTMENT

BELIEVES THAT AS LONG AS TRADITIONAL IGS CARRIERS ARE WILLING AND ABLE TO PROVIDE SCHEDULED AND CHARTER SERVICE BETWEEN FRG AND BERLIN THEY SHOULD CONTINUE TO HAVE PREFERRED PLACE IN THE MARKET. HOWEVER, WHEN TRADITIONAL IGS CARRIERS DROP OUT OF MARKET, AS IN CASE OF SAARBRUECKEN SERVICE, CAAS SHOULD BE PREPARED TO GIVE FAVORABLE CONSIDERATION TO COMPETENT AND QUALIFIED ALLIED CARRIERS INTERESTED IN FILLING THE GAP. TRADITIONAL IGS CARRIERS SHOULD, OF COURSE, CONTINUE TO HAVE FIRST REFUSAL OF INNER-GERMAN CHARTER BUSINESS AS WELL. ABOVE POSITION SHOULD BE CAREFULLY EXPLAINED TO AEROAMERICA OFFICIALS ON CONFIDENTIAL BASIS SO THAT THEY CAN TAKE IT INTO ACCOUNT WHEN CONSIDERING WHETHER TO PURCHASE F-27 WHICH FOR ALL PRACTICAL PURPOSES WOULD BE LIMITED IN ITS UTILIZATION TO SAARBRUECKEN SERVICE.

3. DEPARTMENT IS NOT INCLINED TO BE SYMPATHETIC TO ARGUMENT THAT AEROAMERICA CANNOT MAKE A GO OF IT COMMERCIALY ON SAARBRUECKEN SERVICE SIMPLY BECAUSE PAN AM AND MODERN WERE UNABLE TO DO SO. WE ARE IMPRESSED, IN FACT, THAT IT IS EX-MODERN AIR OFFICIALS WHO BELIEVE THAT AEROAMERICA CAN MAKE PROFIT DESPITE MODERN'S UNSUCCESSFUL EARLIER ATTEMPTS WITH OTHER TYPES OF AIRCRAFT. WE APPRECIATE THAT REOPENING OF SAARBRUECKEN SERVICE MAY TAKE AWAY FROM IGS CARRIERS SOME TRAFFIC WHICH IS PRESENTLY MOVING TO BERLIN OVER FRANKFURT AND OTHER IGS SERVICE POINTS. WE DO NOT BELIEVE, HOWEVER, THAT ARGUMENT THAT IGS CARRIERS WILL SUFFER SOME FINANCIAL LOSS CARRIES SAME WEIGHT AS POLITICAL CONSIDERATIONS INVOLVED AND RESTORED LIMITED OFFICIAL USE

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CONVENIENCE TO TRAVELLING PUBLIC WHICH REOPENING OF SAARBRUECKEN SERVICE WOULD BRING WITH IT. OTHER CONSIDERATIONS WHICH HAVE ENTERED INTO OUR THINKING INCLUDE THE FACT THAT SERVICE TO SAARBRUECKEN BY SMALLER ALLIED CARRIER HAS CLEAR PRECEDENT. FINALLY (WITHOUT OVER-EMPHASIZING THIS POINT), WE AGREE WITH USBER (REF C) ABOUT AEROAMERICA'S WILLINGNESS TO BE HELPFUL TO ALLIES AND SENAT ON DIFFICULT OCCASIONS IN RECENT PAST WHEN

SCHEDULED CARRIERS HAVE REFUSED, AND BELIEVE AIRLINE HAS WON RIGHT TO FULL AND CAREFUL CONSIDERATION OF ITS APPLICATION.

4. DEPARTMENT HAS BEEN INFORMED THAT CAB HAS APPROVED A LIMITED MANAGEMENT/FINANCIAL ARRANGMENT WHICH PERMITS MODERN'S CONTINUED EXISTENCE WHILE CAB STILL HAS

AEROAMERICA'S REQUEST FOR APPROVAL OF FULL MERGER WITH MODERN UNDER CONSIDERATION.

5. FYI ONLY: CAB'S BUREAU OF OPERATING RIGHTS, WHICH ORIGINALLY SUPPORTED MERGER, HAS NOW REQUESTED REOPENED HEARING BEFORE ADMINISTRATIVE LAW JUDGE TO RE-EXAMINE APPLICATION ON FITNESS GROUNDS. SHOULD CAB ULTIMATELY DISAPPROVE MERGER ON ANY GROUNDS WHICH WOULD BRING INTO QUESTION AEROAMERICA'S FITNESS OR ABILITY, DEPARTMENT WOULD OF COURSE WANT TO REVIEW CARRIER'S CIVIL AVIATION ROLE IN BERLIN IN LIGHT OF THAT DECISION.

6. DEPARTMENT RECEIVED JULY 9 LETTER FROM PAN AM OBJECTING TO POSSIBLE SAARBRUECKEN SERVICE BY AEROAMERICA. PAN AM'S PRIMARY ARGUMENTS ARE THAT ROUTE HAS BEEN DEMONSTRATED TO BE ECONOMICALLY UNSOUND, THAT PAN AM WILL LOSE TRAFFIC PRESENTLY GOING OVER FRANKFURT WHICH WILL NOW ORIGINATE IN SAARBRUECKEN, AND THAT GRANT OF RIGHT TO SERVE SAARBRUECKEN WILL INTERJECT NEW CARRIER INTO SHRINKING IGS MARKET. WE PLAN TO RESPOND TO PAN AM IN DUE COURSE DRAWING FROM POINTS PARAS 2 AND 3 ABOVE AS WELL AS FROM REFS A AND C. IN THIS WAY WE HOPE TO REASSURE PAN AM THAT WE WILL NOT PERMIT ITS ESSENTIAL INTERESTS IN BERLIN MARKET TO BE HURT, WHILE AT SAME TIME PREPARING IT FOR POSSIBILITY OF FAVORABLE DECISION TO LIMITED OFFICIAL USE

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AEROAMERICA'S APPLICATION. INGERSOLL

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